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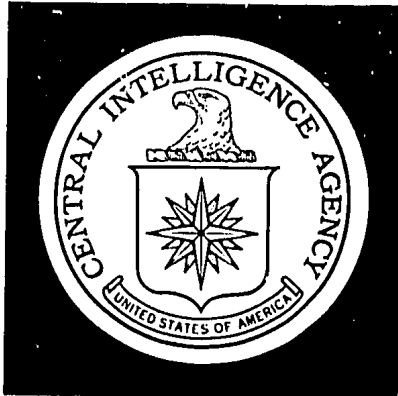
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DIRECTORATE OF  
INTELLIGENCE

# *WEEKLY SUMMARY*

## *Special Report*

*Brazil Under Medici*

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**BRAZIL UNDER MEDICI**

The administration of President Emilio Medici has gained confidence and strength in its first year and has attempted to achieve a measure of public support. Its over-all goals remain the same as those of the governments of Castello Branco (April 1964 - March 1967) and Costa e Silva (March 1967 - October 1969): the elimination of self-interest and corruption in public life, the uprooting of subversion from the society, and rapid economic development. Because the predecessor "revolutionary" regimes made considerable progress toward accomplishing these objectives, Medici has had less need to use the extraordinary concentration of repressive powers that the chief executive holds and thus has been able to give priority attention to economic development. He clearly intends to make development the hallmark of his administration and has already announced some major projects that will form the core of his "Plan for National Integration." He hopes that a spirit of national pride and unity can be instilled by such programs and that this path eventually will make possible the development of a uniquely Brazilian political "democracy." Political liberalization will be slow, however, and the decision-making process during the rest of his administration will remain in the hands of a small elite group with the armed forces as its central component.

*The Medici Administration*

The Medici government, like its two predecessors, is a military one in the sense that ultimate authority rests with the military. Political decision-making has always remained in the hands of a small elite, and the 1964 "revolution" established the primacy of the military officer corps within that elite. It was the intention of those who sparked the revolution to remove certain groups from this cluster of leaders—particularly those professional politicians who were judged responsible for many of the nation's problems. The military, moreover, is increasing its strength somewhat within the Medici government by bringing a limited number of active-duty and retired military officers into the upper levels of several ministries and agencies at the federal and state levels.

The military's important role in the administration is in part due to its power as an institution and in part to Medici's personal preference for

having around him men whose capability and reliability are unquestioned. His closest advisers are military men, many of whom served under him earlier. The role played by these ever-present military colleagues—and the organizations they head—is extraordinarily important. The three pre-eminent military officials are generals Joao Figueiredo, chief of the Presidential Military Household, Carlos Fontoura, director of the National Intelligence Service (SNI), and Orlando Geisel, Minister of the Army. These men almost exclusively have daily access to Medici.

As director of the SNI from 1967 to 1969, Medici became thoroughly familiar with the agency's organization, functions, and personnel. He now relies heavily on it to carry out investigations and to keep him informed of developments in many areas. The expansion of the SNI's activities has created some friction with other institutions; some army officers are unhappy about a plan to transfer responsibility for investigation of internal subversion within the army itself to the SNI.

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There is less solid information about the specific functions of and the personalities within the Military Household, but it unquestionably plays an important advisory role to policy-makers. Its chief formerly served as Medici's chief of staff in the Third Army, and he also has had intelligence experience.

Army Minister Geisel has maintained firm support for Medici within the service and has not sought public attention outside of that earned by the effective execution of his professional military duties.

A number of capable young colonels are largely responsible for the day-to-day operations of the executive branch; most of them work within the SNI, the Military Household, and the National Security Council staff. The colonels closest to the President are Miguel Manso Neto, special adviser for economic affairs and over-all coordination, and Octavio Costa, special assistant for public relations. Military officers also head important autonomous executive agencies such as Petrobras, the state petroleum enterprise, and the important Superintendency for the Development of the Northeast (SUDENE).



Education Minister Passarinho

Although these active-duty military men play an important role in the government, they do not dominate it to the exclusion of others. The cabinet includes some retired military men who, by and large, had already developed experience in civilian capacities at the time they were named to office. Generally, they have been delegated a large measure of responsibility and authority in their respective fields, and some of them—notably Transportation Minister Andreazza and Education Minister Passarinho—are prominent public figures in Brazil.

Medici has left the direction of economic affairs largely in the hands of civilian experts. Under Finance Minister Delfim Netto—probably the most influential civilian in the administration—there has been a continuation of the impressive economic growth combined with improved financial stability that was initiated by the Castello Branco and Costa e Silva regimes.

#### President Medici on Democracy

*Full democracy is an ideal which, if it has been realized anywhere, certainly has not been realized in Brazil.... Among us one cannot, therefore, properly speak of return to full democracy.*

*--First press interview, 27 February 1970*

♦ ♦ ♦

*No one can, in good faith, join his voice to the chorus of those who, both within and outside our borders, have attacked the Brazilian political system under the pretext that there is no room in it for the free working of democracy.... I insist...that, not being an end in itself, democracy is simply a tool through which a predetermined end may be achieved. Being a purely technical process designed to promote collective well-being, democracy in our time will have to adjust itself to the demands of humanizing the social and political atmosphere in order to fulfill its functions properly.*

*- Speech on first anniversary of his government  
30 October 1970*

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*Politics and "Democracy"*

During his term Medici has consistently held that political liberalization will be realized only to the degree that it contributes to achieving the primary goals of economic and social development. He believes that the population must be educated to the point where it can handle democracy, and his actions underline his conviction that this will be a long process. In his first press conference, Medici stressed that the installation of democracy would demand "deep changes of mentality" by everyone involved in the political process. He concluded that he would never permit political strife to reach the point of subversion, nor allow the opposition to advocate a return to the "political, economic, and social chaos" of the pre-1964 era.

His first year in office has brought some limited progress in reactivating the political institutions that were closed down under military pressure by Costa e Silva. The most important steps were the reopening of the federal Congress and seven state legislatures that had been recessed and the holding of elections for Congress, all state governorships and legislatures, and over 1,000 municipal offices.

Medici's decision to use his position as chief of the progovernment National Renewal Alliance (ARENA) party to hand pick the men to be elected for four-year terms as governors by the state legislatures last October resulted from a recognition of political realities. He believes that, although the power of political decision rests almost exclusively at the federal level, the ultimate success or failure of his administration will depend heavily on the performance of the state governments and their chiefs. He was also determined to avoid a repetition of the situation that followed the 1965 elections, when victories by candidates unacceptable to key military officers generated a crisis that was resolved only by the abolition of the then-existing 13 political parties.

*Political Renovation*

Medici intended the men he selected to serve as models of the new political class that will form the keystone of his program of "political renovation," which is the replacement of politicians dominant before 1964 with new leaders who are dedicated to achieving the revolution's long-term goals and who have demonstrated their administrative or technical competence. Several of the new governors, including the three who are retired military officers, are characterized as "technocrats" and have held important posts closely connected with economic development. The "technocrats" were particularly evident in Medici's selections for the states of the underdeveloped Northeast; retired army colonel Cesar Cals, who will govern Ceara State is considered the leading example of this group.

The new governors who will take office on 15 March are men Medici believes loyal and responsive to him rather than to local political leaders and pressures; almost none could have been elected on the basis of his own political prestige. All but one are affiliated with Medici's ARENA Party; the lone designate from the opposition Brazilian Democratic Movement (MDB) will govern the state of Guanabara, which encompasses the city of Rio de Janeiro. The President consulted local ARENA—and even some MDB—leaders about the candidacies, but he did not accept their views in all instances. Furthermore, although Medici had the SNI and local army commanders carefully check out all the candidates' "revolutionary" credentials, he did not always pick the man favored by the local military establishment.



Ceara Governor Cals

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He completely passed over the candidacies of active-duty military officers that were put forward in practically every state by ambitious politicians eager to win the favor of senior army men who generally had no capability—or possibly desire—to win political office.

#### *Congressional Elections*

Medici undoubtedly also hoped that the new political breed would prevail in the 15 November 1970 balloting for both houses of Congress and for state legislatures. This was the first nationwide popular election held during his administration, in which all 310 members of the Chamber of Deputies and 46 of the 66 members of the Senate were chosen. ARENA candidates won 223 seats for four-year terms in the Chamber, or 72 percent of the total, while the MDB prevailed in 87 contests. In 1966 ARENA had won 68 percent of the Chamber seats. In the November balloting for eight-year terms in the Senate, ARENA men swept 41 contests and the MDB took only 5; with holdovers, ARENA will control 59 seats to the MDB's 7, compared with a 47 to 19 ratio in the previous congress. ARENA also retained control of all state legislatures except for that in Guanabara, a traditional MDB stronghold.

Contrary to the government's hopes, most of the congressional victors appear to be traditional-style politicians who to get themselves elected rely on understandings with other influential politicians, on arrangements with urban "bosses" and rural landholders who control large blocs of votes, and on a liberal allocation of cash. These politicians have continued to participate in the political game under the rules set by the administration because they believe that ultimately events will turn to their advantage.

The election was marked by widespread voter apathy, as evidenced by the high rate of abstention that—combined with blank and voided ballots—reached 58 percent in the greater Sao Paulo area. Reasons for this include the generally low prestige of the legislative bodies, the lack of

popular appeal of the two parties, and the inability of the opposition to seize upon effective campaign issues. The few MDB candidates who did attempt to speak out on topics such as torture or the administration's continuing use of political controls through the 17 institutional acts reportedly were cut off the air or warned about possible prosecution for attacking the government. Efforts by some far-leftist groups to persuade voters not to go to the polls may have had a limited effect. The extreme complexity of the ballots also confused many voters and may account for some of the many voided ballots.

#### *Terrorism and Torture*

The Medici government has had considerable success in dealing with one of its most pressing problems, the urban terrorism that has plagued Brazil for the past three years. Incidents such as the abduction of foreign officials have received public attention and wide publicity abroad, but in fact the over-all level of terrorism has dropped sharply since Medici came to power.

The terrorists have never constituted more than a small fraction of the population, with their rank and file coming largely from former student activists, intellectuals, and radical members of the Catholic clergy. Tactical knowledge is often supplied by cashiered military and police and even by professional hoodlums. Many of the leaders of the terrorist organizations have been drawn from among those people who left the Moscow-oriented Brazilian Communist Party in late 1967 because the party leadership opposed their calls for the use of violence in combating the government. These terrorist leaders have been the principal targets of the security forces. Brazil's most effective terrorist chief, Carlos Marighella, was killed by Sao Paulo police in November 1969, and his successor, Joaquim Camara Ferreira, met a similar fate last October. The most dangerous terrorist still at large is former army captain Carlos Lamarca, whose desertion from the army in 1969 and entrance into the terrorist ranks has made him the number-one target of the military.

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Lamarca's Popular Revolutionary Vanguard (VPR) has been in the forefront of the terrorist movement; it took part in the abduction of the Japanese consul general last March, the West German ambassador in June, and the Swiss ambassador in December. The VPR recently refused to join with nearly all the other terrorist groups in the formation of a Brazilian Revolutionary Front (FRB) because it opposed the FRB's plan to cut back terrorist activities until the various groups could recuperate from their defeats at the government's hands.

The military and civilian security forces have declared war on the terrorists and are determined to extirpate them. This explains the frequently ruthless treatment of anyone suspected of engaging in terrorism or having knowledge of persons involved in it. Particularly in Rio de Janeiro and Sao Paulo, where the terrorist problem has been most serious, torture is widely used to obtain information. In several cases, beating and torture have resulted in the death of persons under interrogation.

Security forces generally consider individuals who have been banished to other countries in exchange for the liberty of kidnaped foreign diplomats subject to liquidation if they return to Brazil; at least two have met this fate.

Charges of torture that have received extensive coverage in the foreign press have attracted some public attention in Brazil, although this has been limited by heavy censorship of the domestic media. Speeches in Congress and inquiries by a government council for the Defense of Human Rights have brought little more than denials from the administration that torture is sanctioned in Brazil and a promise that persons found guilty of using it would be severely punished; no one has yet been indicted.

On 29 January, however, two policemen in Rio de Janeiro State were convicted of murder and sentenced to long prison terms for their participation as members of a "death squad." These organizations, widely believed to be composed primarily of active-duty and retired military and civilian security officers who are impatient with the frequent inefficiency and leniency of the Brazilian judiciary system, since 1958 have eliminated over 1,000 persons suspected of engaging in dope smuggling, prostitution, book making, and related activities. But they generally have not operated against terrorists. The recent convictions are the first and, if upheld, could encourage prosecutors and judges in other states to persevere in their investigations against the vigilantes. If the sentences should be overturned on appeal, however, a general apathy would probably again prevail in the conduct of such investigations.

#### *Church-State Friction*

The most outspoken and potentially the most damaging criticism on the torture issue has come from the Catholic Church, one of the few national institutions outside the armed forces whose words have a significant impact on the government. Serious friction between the church and the administration on the issue first came to public attention following the arrests in late 1969 of several clergymen belonging to the Dominican order on charges of providing extensive assistance to Carlos Marighella and his terrorist organization. The direct involvement of clergymen in Marighella's operations convinced many zealous security officers of the correctness of their long-held belief that the church has a radical wing with a major responsibility for encouraging terrorism and subversion. There are in fact a considerable number of radical clerics—once estimated as high as 1,000—who believe that the government has declared war on all effective opposition and who therefore have come to the conclusion that the only way to assist the poor, illiterate, and oppressed majority is through the use of force. There is also a much larger progressive sector of the church that neither engages in terrorism nor

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has any ties with it, but holds some sympathy for the prelates who do.

The government and the church hierarchy, both as individuals and through the National Council of Brazilian Bishops (CNBB), have attempted to smooth over the problems between the two powerful institutions. Last May, the CNBB and the government reached a tacit understanding that the church would refrain from public criticism of the administration on the torture issue in return for an agreement that the government would not arrest clerics until it had consulted with the CNBB.

Late in August, however, 15 bishops in the Northeast charged that security officials had illegally arrested and tortured two priests they suspected of subversion. Later in the fall, police in Rio de Janeiro arrested several priests and youths connected with the Young Catholic Workers' Movement (JOC) and with a church-affiliated leadership training institute, both of which have a somewhat leftist orientation. The bishop who was the secretary general of the CNBB was detained for several hours by security officials when he went to investigate the arrests. The friction was compounded by a government-sponsored campaign to discredit Archbishop Helder Camara, Brazil's best-known liberal cleric, who has often expressed strong public criticism of the administration—particularly on the torture issue—during his frequent trips abroad. Several high-ranking prelates who previously had attempted to curb Dom Helder's outspokenness came to his defense on the ground that an attack on him was an attack on the church. President Medici adopted a conciliatory position in discussions with the church hierarchy despite opposition to this move from some military officers. He said he would make certain that priests and laymen were not further mistreated and that no more priests would be arrested without his personal approval. In return, he asked the church officials to try to moderate public criticism on the issue by outspoken liberal prelates.



**Bishop Lorscheider,  
President of the Bishops' Council**

The temporary resolution of the problem lasted until February, when the new archbishop of Sao Paulo publicly charged that a priest and a female social worker had been brutally tortured by the Sao Paulo police. Archbishop Paulo Arns' call for an investigation angered local security officials, who prepared an aggressive rebuttal including an allegation that the prelate had fallen under the influence of leftists in the church. Medici killed the rebuttal, however, and the state government promised to look into the charges. Arns took his accusations to the CNBB, which issued a pastoral letter affirming that "the phenomenon of tortures unfortunately exists in our country, and under certain circumstances, in an atrocious manner." Apparently in response to the bishops' declaration, the President called a meeting of the Human Rights Council to study the issue.

#### *The Government's Social Programs*

The administration has undertaken a number of projects aimed at gaining public support; it

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hopes to make development Brazil's central and unifying national objective. Its social programs have been catalogued in a document entitled "Goals and Bases for Government Action." Medici has designated education, health, agriculture, and science and technology as key target areas.

The massive shortcomings in the education area have received greatest attention thus far. Education Minister Passarinho has aggressively attacked what has traditionally been one of the most backward sectors in a country where over one half of the population is below the age of 20. Estimates of illiteracy differ, but probably 40 to 45 percent of the population over the age of ten cannot read or write. Of some 90 percent of all children who now enter primary school only about one third complete the fourth grade and only about 11 percent of those of secondary school age are attending. University facilities, moreover, are inadequate to accommodate even those who pass the stiff entrance requirements, leaving each year a large crop of alienated young people who are turned away.

Among the measures initiated or planned by Passarinho are increasing investment in education—federal expenditures in education are scheduled to reach 15 percent of total federal expenditures by 1973 as compared with 5.6 percent in 1963; improving the organization and management of the notoriously inefficient Ministry of Education; improving the structure and quality of the entire educational system; and specifying concrete goals and methods of achieving them in a sector priority plan for 1970-73. A Brazilian Literacy Movement (MOBRAL) was founded last year to attack this major problem. Passarinho has been less successful in involving students in working toward the educational improvements; most politically involved students have been strong opponents of post-1964 administrations, although government crackdowns since 1967 have reduced their opportunities to demonstrate their hostility to almost nil.

A start has also been made at attacking the health problems that kill many and sharply reduce the productivity of a large percentage of those who survive. Much of the responsibility for backwardness in this field has stemmed from the inability of the public health officials to plan and coordinate their own activities. Primary goals are to control and eventually to eradicate communicable diseases, to improve the productivity of health protection and treatment facilities, and to expand the network of local health units.

Medici's most ambitious project—which has been compared in scope to former President Juscelino Kubitschek's construction of Brasilia—is the building of major highways to link the vast interior with the rest of Brazil as the keystone of a "Plan for National Integration."

In June, the President announced a plan to build major roads to open up the Amazon basin to economic development. Work has already begun on construction of the 1,800-mile, east-west Trans-Amazon Highway and the 900-mile, north-south Cuiaba-Santarem Highway. The actual construction will involve only a relatively small part of the \$500 million allocated to the first stage of the project; the bulk of the funds will finance the development of seven cities along the route. These cities are expected to serve as nuclei for the anticipated immigration of thousands of people from the overpopulated and drought-prone Northeast to the Amazon area, which has only three million inhabitants and in fact has been a net exporter of population to other regions. The funds will also be used by the National Institute of Colonization and Agrarian Reform to settle homesteaders on plots in a six-mile wide area on each side of the highways. An additional justification for the roads is the government's desire to provide access to several untapped mineral deposits in the area.

Some opposition to the massive undertaking has come from northeasterners who claim it will divert attention and funds from their region.

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## BRAZIL

*New Highways Are Bringing  
Change to the Northeast  
and Amazon Areas*

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Others, principally from the wealthy, industrialized center-south area, bewail the channeling of any resources out of their states into those whose economic futures are much less certain.

#### *Economic Progress Maintained*

Under Finance Minister Delfim Netto the economic progress registered by predecessor post-1964 administrations has continued. The gross national product increased approximately nine percent in 1970, the third consecutive year of considerable economic growth. Industrial production rose ten percent, and agricultural output grew by seven percent despite a severe drought in the Northeast and a decrease of nearly one third in the coffee crop due to frost. Total exports reached a record high of \$2.7 billion; exports of manufactured products worth \$450 million also set an all-time mark. Gross foreign-exchange reserves climbed by nearly \$550 million, to a total of \$1.2 billion. Inflation was held to under 20 percent, the lowest figure in the last ten years. The government claims that, for the first time in several years, wages rose faster than inflation, giving workers a share in the economic improvement.

Continued economic expansion will be essential in order to provide the nearly one million new jobs required each year by the expanding population. Preliminary figures from the 1970 census indicate that the population grew from 71 million in 1960 to 91.3 million in 1970, or at an average annual rate of 2.7 percent as compared to a 3.1 percent rate during the previous decade. Because of changes in the age structure of the population, however, the growth of the labor force in the 1970s will be higher than that of the population as a whole.

#### *Outlook*

During his first year in office, Medici has earned the continued firm support of his most important constituency: the military officer class. The politically ambitious General Albuquerque

Lima, who had gained wide publicity as the standard bearer of nationalism among younger officers, will lose much of his prominence as a result of his failure to gain promotion for the second time and his resulting mandatory retirement. The general's misfortune is additional evidence that Medici and the top military commanders will not tolerate ambitious men in the ranks if they represent the slightest threat to the unity of the armed forces. Medici himself has been able to capitalize on some of the nationalistic sentiment in the military by adopting policies such as rapid development of the Amazon area, proclaiming a 200-mile territorial waters limit, and authorizing the purchase of advanced military equipment, including supersonic Mirage III jet fighters from France and missile-equipped frigates from England.

The President has demonstrated strength and consistency in holding to his schedule for gradually allowing greater participation by civilians in political decision-making, even though at times this course has involved actions unpopular with at least some of his military colleagues. Despite urging from some officers, he has been sparing in the use of his powers to cancel the political rights of individuals, in part due to the fact that before he took office over 1,000 people had already been stripped of their rights by the Castello Branco and Costa e Silva administrations. Medici has cautioned, nevertheless, that he does not intend to dispense with the extraordinary powers given him by Brazil's 17 institutional acts and other measures, because he considers them essential for the defense of the revolution and constitutional order. His position that "democracy" in Brazil will relate to the country's peculiar social conditions and not necessarily to generally accepted Western standards makes it difficult to predict the future course of his political program. He has recently said that he interprets the massive ARENA electoral victory as firm evidence that he is guiding the program along the proper lines and that no major corrections are in order. This apparently would not preclude changing some cabinet officials, however. There unquestionably will continue to be an increase in the number and

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influence of those "technocrats" who are able to obtain a base of political support. If the course charted by Medici does not encounter any major obstructions, men like Minister Passarinho or Governor Cals—who have substantial political followings and have kept up their ties with the military since leaving active duty—stand an excellent chance of succeeding him in March 1974. In the event of Medici's sudden incapacitation, it is likely that the military high command would choose a replacement in Medici's mold.

Because most of the nearly 93 million Brazilians still have little voice in the governing process, Medici's political liberalization has been one more of form than substance. No real legislative authority has been parceled out to civilian politicians, although Congress does serve as a forum where alternative courses of action can be discussed and some criticism of government policies can be voiced within informal but generally recognized boundaries. As demonstrated by the public apathy about the congressional elections, both ARENA and the MDB continue to suffer from an inability to evoke broad public support and from the hostility of some military sectors. Although ARENA has the advantage of being the pro-government party, of having a country-wide organization, and of controlling patronage in every state but Guanabara, its members are handicapped by having to explain and defend all the administration's actions. The MDB's greatest problem is that, although it is supposed to be an opposition party, it as much as ARENA is considered a supporter of a "revolution" that is defined by the government. The MDB cannot launch a real attack on the administration for fear that if it became too successful the government might retaliate by abolishing all the existing political institutions. The failure of the two established parties to garner support has led to some speculation about the formation of new parties that might try to attract members from ARENA and the MDB as well as from among persons presently alienated from the entire political process. In addition to the difficulty of obtaining the 1.5 million voters' signatures needed for legal registration of a new

party, however, it is difficult to believe that the administration would permit any development that would threaten ARENA'S unity, or that any politician would join a party foredoomed to defeat. A more likely development may be the eventual consolidation of the two parties into a single conservative, yet development-oriented one that would attempt to represent all sectors of society as Getulio Vargas hoped to do in Brazil in the 1930s or as the Institutional Revolutionary Party (PRI) has done in Mexico.

Although the government's campaign against the terrorists has clearly thinned their ranks, the extreme leftists remain capable of mounting embarrassing, isolated acts of violence. There is probably a degree of latent sympathy for some of the professed goals of the terrorists among urban youth and within certain sectors of the disaffected intellectual class, but this sympathy has not been transferred into large-scale, overt support or participation. Recently, the government has set free several terrorists who surrendered and publicly repudiated their past extremism. This tactic is part of a program to nurture among Brazilian public opinion the idea that the principal aim of the terrorist movement is banditry—as opposed to political goals—and that the groups are composed mainly of naive youths recruited on false premises.

Almost inevitably, there will be continued friction between the church and local security officials who see specific social reform actions of young clerics as "subversive" because they specifically violate "national security" laws or otherwise appear to subvert the existing political, social, and economic order. Although the church hierarchy is divided into conservative, moderate, and radical sectors, this does not diminish the bishops' view that they have a collective responsibility to

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**President Medici Meets Workers  
In the Northeast**

defend their members from outside attack—a reaction not unlike that of the military officer corps. Prelates such as Sao Paulo Archbishop Arns or the recently elected president of the Bishops' Conference, Bishop Aloisio Lorscheider who at 46 is the youngest man ever to hold this important post, are certain to denounce publicly any excesses committed by security forces against clerics. This will tend to focus public attention on the issue and to give increased importance to the nature of official reaction to it. In dealing with the problem, Medici is subject to pulling and hauling—on the one hand by elements in the military and security forces who want to adopt even stronger methods against terrorists, and on the other by church and some other civilian sectors that want him to repudiate excesses by the groups that he relies on to stay in power.

Medici will continue to take advantage of national pride in projects such as the Trans-Amazon Highway to try to mobilize public support for the administration. During a trip to the Northeast last June, he was deeply impressed by the economic and social ills affecting many of the region's 30 million people. Security officials have long been concerned about the potential for wide-

spread unrest that these problems present

In addition to trying to relieve the population pressure in the Northeast by encouraging migration to the Amazon area, the government has expropriated some land from inefficient sugar cane plantations and plans to settle displaced sugar workers on it. The region's powerful conservative economic interest groups are likely to block any major agrarian reform efforts in the near future, however.

The government considers the distrust and hostility with which much of the now-silent university youth views the administration as one of its most serious social problems. The students roundly rejected an attempt by Passarinho last May to form a representative national university students' advisory group; this may indicate that there is no middle ground left between what the students will accept on the one hand and what the SNI and the conservative military can allow on the other. Although Passarinho has said he still intends to try to maintain a dialogue with students whenever possible, it may be that even a man of his capabilities can at best only hope to keep a lid on student discontent during his time in office.

During 1970 Medici began to try to improve the administration's relations with labor, a sector that has borne many sacrifices for—but has received less than its share of benefits from—the revolution. Last year wage increases for public employees did equal the cost-of-living rise, while wage increases for private sector workers in major urban areas exceeded the increase in the cost of living. Two measures announced during the year were a "Program of Social Integration" to provide funds from the profits of all private employers for the benefit of their employees, and an "Impact Project" to channel funds from the federal lottery to trade unions for health, educational, and recreational purposes. Although the press has played up the programs as heralding new methods of

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improving the lives of the workers, the unions have pointed out that they had no role in forming the plans, and that it will be several years before the amount of real benefits the programs will provide can be determined. Some union leaders are suspicious that the measures were designed primarily to expand the government's already heavy control of labor. This control will probably mean that the prospects for any real opposition to the government from labor remain minimal even if the administration fails to honor its commitments to the workers.

Although the Medici government has placed primary importance on domestic issues, the general lines of its foreign policy are clear. A central theme of the President's only major foreign policy statement was that Brazil's foreign policy must be adapted to the needs of its burgeoning economic growth. The dramatic growth of exports—the target for 1971 is \$3 billion—and the rise in foreign exchange reserves have increased Brazil's ability to take an independent line in its international relations. The administration's strategy of maximizing its independence of action has been manifested through a new willingness to work within the framework of multilateral organizations when this suits its interests, and an increasing awareness of and identification with the forces and problems of the less developed world in opposition to the interests of the developed nations. Brazil sees its new posture as part of its increased effort to penetrate world markets at the expense of the established powers. Foreign Minister Mario Gibson frequently has expressed distrust and even resentment of the "great powers," which he sees as preventing developing countries from attaining their justified place in the sun. More extreme nationalists have even accused the

developed nations—principally the US—of fostering a campaign to damage Brazil's international image in order to frustrate its plans for development and to keep it at the level of a colony.

Nationalism is also evident in the administration's attitude toward foreign investment. Although Brazil continues to encourage foreign investment—US investment alone now totals about \$1.7 billion—there is emerging what amounts to an informal policy of favoring domestic participation in enterprises over wholly owned subsidiaries of foreign companies. Brazilians tend to be ambivalent toward foreign investment; they recognize its value in bringing in new technology and scarce capital, but they also see the foreigner's very superiority in technology and financing as a threat to domestic enterprises. In many cases, this fear and aversion to foreign investment takes the form of nationalism, which plays on the xenophobia of both left-wing intellectuals and right-wing groups. As long as the economy continues to grow and to gain in strength and stability, however, the emphasis is likely to remain on the joint-venture approach rather than on any outright restriction or exclusion of foreign investment.

Within the hemisphere, Brazil is increasingly concerned about the leftist direction taken by several of its neighbors, notably Chile, Peru, and Bolivia. The administration apparently intends to maintain cool but correct relations with Chile, but the government—and the military—will be carefully watching for any signs that the Allende government intends to assist subversive movements in Brazil or elsewhere in Latin America.

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